



United States Department of the Interior



BUREAU OF LAND MANAGEMENT

Egan Field Office

HC33 Box 33500 (702 N. Industrial Way)

Ely, Nevada 89301-9408

http://www.blm.gov/nv/st/en/fo/ely_field_office.html

In Reply Refer To:

3160 (NVL0100)

N-86819

DECISION RECORD

Bright Sky Energy & Minerals, Inc.
17501 Rimrock Drive
Golden, Colorado 80401

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Decision Record
DOI-BLM-NV-L010-2012-0028-EA

I have reviewed the application, the Environmental Assessment (EA), and have made a Finding of No Significant Impact (FONSI) for Bright Sky Energy & Minerals, Inc. proposal for the BSEM Federal 1-35 and BSEM Federal 1-14 exploratory oil wells. Based on that review and the record as a whole, I approve this project with the following stipulations derived from mitigation measures in the EA and FONSI. In accordance with 43 CFR §3165.4(c) this Decision is in full force and effective immediately.

CONDITIONS OF APPROVAL AND STANDARD OPERATING PROCEDURES APPLICATION FOR PERMIT TO DRILL OIL & GAS WELL

Operator: Bright Sky Energy & Minerals, Inc.
Well: BSEM Federal 1-35
Location: SW¼ SW ¼, Sec.35 T.8N, R.61E.

Lease: NVN-86657

A COPY OF THIS MUST BE FURNISHED TO YOUR FIELD REPRESENTATIVE TO INSURE COMPLIANCE

Agency Contacts:

BUREAU OF LAND MANAGEMENT
Nevada State Office
PO Box 12000 (1340 Financial Blvd)
Reno NV. 89520-0006
(775) 861-6400
Petroleum Engineer: John Menghini
Office Telephone: (775) 861-6573
Cell: (775) 223-1359
Email: jmenghin@nv.blm.gov

NEVADA DIVISION OF MINERALS
Nevada Division of Minerals
400 W. King Street # 106
Carson City, NV 89703
(775) 684-7040
Oil, Gas and Geothermal Program:
Office Telephone: (775) 684-7042
Fax: (775) 684-7052

Ely District Office
HC 33 Box 33500 (702 North Industrial Way)
Ely, NV 89301
(775) 289-1800

Geologist: Dave Davis
Office Telephone: (775) 289-1830
Fax: (775) 289-1910
Email: drdavis@blm.gov

1. Approval of this APD does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. In addition, approval of this APD does not imply that the operator has legal access to the drilling location. When crossing private surface 43 CFR 3814 regulations must be complied with and when crossing public surface off-lease the operator must have an approved right-of-way.
2. All operations shall conform to the Code of Federal Regulations, 43 CFR 3160, Bureau of Land Management Onshore Orders and the Nevada Division of Minerals Oil and Gas chapter 522 – Oil and Gas General Provisions.
3. As well as the following these site-specific conditions of approval, surface operations will follow the Surface Operating Standards and Guidelines for Oil and Gas Exploration, the Gold Book, and the Resource Program Best Management Practices contained in Appendix A, Section 1, of the Ely District Record of Decision and Approved Resource Management Plan.
4. A complete copy of the approved APD must be at the drill site during the construction of the roads and drill pad, the drilling of the well, and the completion of the well.
5. The spud date will be reported orally to the Authorized Officer 24 HOURS PRIOR TO SPUDDING, followed up by submitting Form 3160- 5 stating actual spud date and time to the BLM.
6. Verbal notification may be given by the Authorized Officer, if at least 24 hours in advance of formation tests, BOPE tests, running and cementing casing (other than conductor casing), and drilling over lease expiration dates.
7. A progress report needs to be filed a minimum of once a week starting with the week the well was spud and continuing until the well is completed. This report may be by mail, fax or email. A complete set of daily drilling reports must be submitted upon completion of the well. The report will include the spud date, casing information such as size, grade, weight, hole size, and setting depth, amount and type of cement used, top of cement, depth of cementing tools, casing test method, intervals tested, perforated, acidized, fractured and results obtained and the dates all work done.

8. Deviation from the approved APD must receive prior approval. If you want to change your operations in any way, you must first receive approval from the BLM and from the NDOM.
9. Any information you desire to be held confidential must be clearly marked "CONFIDENTIAL" on each page.
10. All survey monuments found within the area of operations shall be protected. Survey monuments include, but are not limited to: General Land Office and Bureau of Land Management Cadastral Survey Corners, reference corners, witness points, U. S. Coast and Geodetic benchmarks and triangulation stations, military control monuments, and recognizable civil (both public and private) survey monuments. In the event of obliteration or disturbance of any survey monuments, the incident shall be reported in writing to the Authorized Officer.
11. If at any time the facilities located on public lands authorized by the terms of the lease are no longer included in the lease (due to a contraction in the unit or other lease or unit boundary change) the BLM will process a change in authorization to the appropriate statute. The authorization will be subject to appropriate rental or other financial obligation determined by the authorized officer.
12. A copy of the completion report and all test information obtained from this well shall be submitted within 30 days after the well is completed.
13. No later than the fifth business day after any well begins production on which royalty is due anywhere on a lease site or allocated to a lease site, the operator must notify the BLM by letter or sundry notice of the date on which such production commenced. The date is defined as follows: the date on which liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated, or the date on which liquid hydrocarbons are first produced into a permanent storage facility, whichever occurs first. If you intend to sell from a test tank, it must be calibrated as specified in Onshore Order Number 4, Part C, and sealed in accordance with Onshore Order Number 3. You can initially notify orally, but you must follow-up with a letter or sundry notice. Reference is made to 43 CFR 3162.4-1(c). As a minimum, such notice must provide the following information:
 - a. Operator's name, address and telephone number.
 - b. Well name and number.
 - c. Well location (¼ ¼ Section, Township, Range, MDBM).
 - d. Date well placed in a producing status.
 - e. The nature of the well's production, i.e., crude oil, natural gas.
 - f. The lease communitization, or unit number applicable.
14. A Hydrogen Sulfide (H₂S) Contingency Plan as outlined in Onshore Order No. 6 will be submitted when required by this office. However, minimum safety precautions must be taken at all times. Personal safety equipment, including a portable hydrogen sulfide detector situated in a position to detect gas from the well, and two or more OSHA-approved protective breathing apparatus must be on location. If company policy requires more than this, please supply this office with a copy of the company plan or requirement, if not already submitted.

15. Abandonment program approval must be obtained prior to plugging the well. Following an oral approval, a sundry notice titled "Notice of Intent to Abandon" will be submitted within five business days. Failure to obtain approval prior to commencement of abandonment operations shall result in immediate assessment under 43 CFR 3163.1(b) (3). Notice: if no logs are run (mud or electric), all open sections of hole will be filled with cement in a manner which precludes inter-zonal migration of fluids.
16. Directional surveys (inclination and azimuth) shall be run on the well wherever the inclination exceeds 10 degrees or the projected bottom hole location is within 200 feet of the spacing unit or lease or unit boundary.
17. Pursuant to 43 CFR 3162.7-1(b), production testing will be permitted into test tanks only. No oil will be permitted into the reserve pit except in emergency situations.
18. The State of Nevada (NAC 522A.215) requires that samples of cuttings shall be collected at a minimum of 30 foot intervals from surface to the surface casing point, and on 10 foot intervals from surface casing shoe to total depth. A minimum of two 15 milliliter sets of cuttings per sampling interval must be cleaned, dried, and placed in 3" x 5" sample envelopes, properly identified and sent prepaid to the Nevada Bureau of Mines and Geology (NBMG) University of Nevada, Reno, Mail Stop 178, Reno, Nevada 89557-0088. You may contact David Davis at (775) 784-6694 x 133.
19. Note: the cuttings are not to be sent to the Division of Minerals. The cuttings are due within 15 days of completion of the well. The operator will be responsible for the cost of any further handling of the samples by the NBMG required to meet standards set out in this permit condition.
20. Two copies of all logs run on the well and where possible, one copy of the computed logs in electronic format such as LAS or PDF are to be submitted to the NDOM within 30 days of the date of being run.
21. All BOPE tests of 5,000 psi or greater shall be conducted by an independent contractor. Test charts and test results are to be submitted to the Bureau of Land Management within 48 hrs. of completion of the test.
22. The operator shall obtain and maintain all necessary State of Nevada and local permits applicable to implementation of the Proposed Action.
23. During pad construction, all available topsoil will be salvaged and stockpiled separately from any other material. The topsoil will be seeded immediately with the attached interim seed mix in order to stabilize the soil and help prevent the establishment of invasive and non-native weeds. An additional interim seeding may be required.
24. The speed limit on the constructed access road will be 25 mph.
25. Lighting sources will be shielded to lessen visual impacts and lessen the attraction of nocturnal animals.

26. Final pad reclamation will consist of recontouring, ripping, re-spreading the topsoil, reseeding with the attached final seed mixture, and scarifying. Seeding is recommended between October 1 and March 15. The performance goal for successful revegetation is that the reclaimed area will have 100% of the perennial canopy cover of the existing adjacent plant cover, although it is not anticipated that this will be achieved during the current drought period. The site will be evaluated by the Ely BLM for vegetative progress after at least one full growing season. If not successful, the BLM reclamation specialist will review the reclamation procedures with the operator to decide on the best course of action.
27. Access road construction will include salvaging all available topsoil in a windrow along the edge of the road. Roads will be crowned and ditched, topsoil pulled back into the ditched and immediately seeded with the same interim seed mixture as used for the pad. Final reclamation will be similar to that for the location pad: remove excess gravel, re-grading, ripping the road surface, recovering with the salvaged topsoil, final seeding. All of the newly constructed access road will be reclaimed.
28. During pad construction, all available topsoil will be salvaged and stockpiled separately from all other material in berms surrounding the well pad. The topsoil will be seeded immediately with a BLM approved interim seed mix in order to stabilize the soil and help prevent the establishment of invasive and non-native weeds. An additional interim seeding may be required.
29. Gravel used for pad or access road construction may be placed only after the underlying topsoil has been salvaged. Excess gravel will be removed prior to reclamation. Up to six inches of remaining gravel may be ripped, so that it is mixed with the underlying material prior to being covered with the stockpiled topsoil.
30. Off-lease new road construction, widening of existing access roads or other ground disturbance is not authorized without an approved Right of Way.
31. Hydrocarbons would not be allowed to accumulate in the reserve pit.
32. Location sites shall be maintained in a sanitary condition at all times; litter shall be disposed of promptly at an authorized solid waste disposal site. "Litter" means all discarded matter including but not limited to trash, garbage, refuse, ashes and equipment. Site must be maintained and left in a clean and safe condition. Burning would not be allowed on the well site.
33. The permittee is responsible for clean-up and assumes liability for any and all releases of hazardous substances and or oil disposed on public land as defined in the National Oil and Hazardous Substances Contingency Plan (40 CFR 300). Proponent will immediately notify the BLM Authorized Officer and the National Response Center at 687-9485 or 888 331-6337 (NDEP) on all spills/releases in which the reportable quantity for the particular compound is exceeded - 40 CFR part 302.
34. The operator will be responsible for complete control of any noxious weeds that become established within the project area during the life of this project through final reclamation.

This would include the well location, access road, and gravel source. Measures for the prevention and control of noxious and invasive weeds are contained in the attached "Risk Assessment for Noxious & Invasive Weeds".

35. Operations commencing during the period April 15 to July 15 will be subject to the provisions of the BLM policy management actions for the conservation of migratory birds. A qualified wildlife biologist will survey the area for nesting migratory birds. If nesting birds are found, then appropriate mitigation measures will be developed.
36. A waiver must be obtained from the Nevada State Engineer's Office for use of water from a temporary on-site well or any existing water source not previously authorized for use for oil and gas exploration at this well location.
37. Should the oil well be put into production, as much of the well location and access road not needed for production will be immediately reclaimed using the final reclamation procedures and seed mix.
38. The Authorized Officer will be notified within 5 days of completion of reclamation work so that timely compliance inspections can be completed.
39. If archeological resources or historic properties are discovered that could be damaged by project-related activities, all construction activities in the immediate vicinity will cease. The Ely BLM Authorized Officer will be immediately contacted to arrange an onsite inspection to determine measures that will be implemented to prevent unnecessary damage to the resource.
40. Permittee must notify the BLM Authorized Officer of any hazardous or solid waste discoveries within the Ely BLM District. Permittee is also required to notify the BLM Authorized Officer of any hazardous or solid wastes spills while under permit within the Ely BLM District.
41. The proponent is responsible for clean-up and assumes liability for any and all releases of hazardous substances. Proponent will immediately notify the BLM Authorized Officer and the National Response Center at 687-9485 or 888 331-6337 (NDEP) on all spills/releases in which the reportable quantity for the particular compound is exceeded - 40 CFR part 302.
42. Location sites shall be maintained in a sanitary condition at all times; litter shall be disposed of promptly at an authorized solid waste disposed site. Failure to remove litter may result in assessment of damages by the Authorized Officer, BLM. "Litter" means all discarded matter including but not limited to trash, garbage, refuse, ashes and equipment. Site must be maintained and left in a clean and safe condition.

RATIONALE:

- 1) The Proposed Action is in conformance with the Ely District Record of Decision and Approved Resource Management Plan signed in August of 2008. Section 1.5 of the Environmental Assessment documents the conformance review.

- 2) The Proposed Action is consistent with all other federal, state, local, and tribal policies and plans to the maximum extent possible.
- 3) Implementation of the proposed action will allow Bright Sky Energy & Minerals, Inc. to exercise its rights under the lease agreement to explore for additional reserves of oil and gas so as to meet the increasing energy needs of this Nation. The selected action will meet the BLM's purpose in considering approval of the application to improve access roads and drill two exploration oil wells to provide a legitimate use of the public lands to the proponent. Any impacts resulting from the proposed action will be minimized through the carefully planned proposed action developed in the APD, the standard State and Federal operating regulations for oil and gas exploration, and the site-specific conditions of approval as listed above. As a result of the analysis for the proposed oil and gas wells, it was determined that the Proposed Action will not result in unnecessary or undue degradation to the public lands.

PUBLIC INVOLVEMENT:

There is general public interest in this type of potential development. The APD was posted at the Nevada BLM State Office on receipt. In addition, a Notice of Staking was posted on the Ely District website.

Letters requesting comments for inclusion in the EA were sent to Native American Tribes. The preliminary EA was posted on the Ely BLM website for the public to review beginning August 14, 2012 and ending August 31, 2012. Comments were received from the public and addressed in the EA.

APPEALS:

This decision may be appealed to the Interior Board of Land Appeals (Board), U. S. Department of the Interior (DOI) Office of Hearings and Appeals, in accordance with the regulations contained in 43 CFR, Part 4. The appellant has the burden of showing that the decision appealed from is in error. If an appeal is taken, a notice of appeal must be filed at the Bureau of Land Management at the above address within 30 days of either of receipt of the decision if served a copy of the document, or otherwise within 30 days of the date of the decision. If sent by United States Postal Service, the notice of appeal must be sent to the following address:

Bureau of Land Management
Ely District Office
HC 33 Box 33500
Ely, NV 89301.

The appeal may include a statement of reasons at the time the notice of appeal is filed, or the statement of reasons may be filed within 30 days of filing this appeal. At the same time the original documents are filed with this office, copies of the notice of appeal, statement of reasons, and all supporting documentation also must be sent to the U. S. DOI Solicitor at the following address:

Regional Solicitor, Pacific Southwest Region
U.S. Department of the Interior
2800 Cottage Way, Room E-2753
Sacramento, CA 95825-1890

If a statement of reasons is filed separately from the notice of appeal, it also must be sent to the following location within 30 days after the notice of appeal was filed:

Interior Board of Land Appeals
Office of Hearings and Appeals
4015 Wilson Boulevard
Arlington, VA 22203

This Decision will remain in effect during the appeal unless a petition for stay is granted. If the appellant wishes to file a petition pursuant to regulations at 43 CFR 4.21 for a stay of the effectiveness of this decision during the time that the appeal is being reviewed by the Board, the petition for a stay must accompany the notice of appeal. A petition for a stay is required to show sufficient justification based on the standards listed below. If the appellant requests a stay, the appellant has the burden of proof to demonstrate that a stay should be granted.

Standards for Obtaining a Stay

Except as otherwise provided by law or by other pertinent regulation, a Petition for a Stay of a Decision pending appeal shall show sufficient justification based on the following standards:

- (1) The relative harm to the parties if the stay is granted or denied,
- (2) The likelihood of the appellant's success on the merits,
- (3) The likelihood of immediate and irreparable harm if the stay is not granted, and
- (4) Whether the public interest favors granting the stay.

Approved by:



Timothy R. Shannon
Field Manager
Egan Field Office

Sept. 11, 2012
Date